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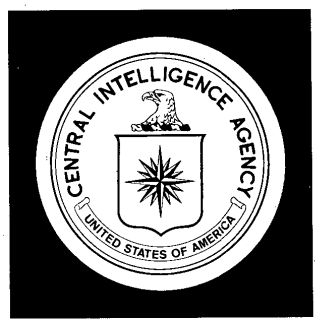

The President's Daily Brief

January 2, 1974

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~~*Top Secret*~~ 25X1

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THE PRESIDENT'S DAILY BRIEF

January 2, 1974

PRINCIPAL DEVELOPMENTS

Israeli and Arab forces are on [redacted] alert, but leaders of both sides appear disposed to go back to the Geneva talks today. *(Page 1)* 25X1

Mrs. Meir will probably form Israel's new government without a change in coalition partners. Her principal opponent, the Likud group, did not gain enough seats to form a government or to force Mrs. Meir to take it into the coalition. *(Page 2)*

Israel [redacted] Egypt [redacted] *(Page 3)* 25X1

A major reshuffle of China's military region commanders has taken place. The transfers separate military leaders from provincial power bases secured during the Cultural Revolution. *(Page 4)*

The Nigerian Government has sold its share of the country's total production for $22.60 per barrel. Similar crude produced in the US has been selling for less than $9.00. *(Page 5)*

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ARAB STATES - ISRAEL

While both sides are maintaining [redacted] state of [redacted] alert, they apparently plan to continue for the time being to seek a negotiated peace settlement. Today's meeting of the disengagement talks in Geneva is expected to proceed as scheduled. 25X1

Neither side has given any indication of a willingness to modify its position, but neither appears anxious to break off the talks at this point. For the immediate future, the principal Arab leaders appear inclined to wait and find out what type of government emerges from the Israeli elections.

There were only minor cease-fire violations on either front during the past two days. The Israelis continued to carry out aerial reconnaissance of both fronts. [redacted] 25X1

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ISRAEL

Monday's parliamentary elections failed to give any party a clear majority, and Mrs. Meir's Labor Alignment faces long and difficult bargaining over the make-up of a new coalition government. Any government probably will be cautious about concluding a peace agreement that includes extensive territorial concessions.

In a heavy voter turnout, the Alignment received just under 40 percent of the vote, losing, according to preliminary returns, 6 of its 57 seats. The Alignment-led government coalition lost 8 of its 77 seats. The total number of deputies to the Knesset is 120.

There will probably be no change in coalition partners in the new government when it is eventually formed. Mrs. Meir's major coalition partner, the National Religious Party (NRP), which lost only one seat, will probably seek to take advantage of the Alignment's losses to enhance its own position and influence within the government.

As anticipated, Likud, the rightist opposition group, emerged the big gainer, receiving just over 27 percent of the vote and increasing its Knesset seats from 31 to 38 or 39, according to the preliminary tabulations. Its leader, Menahem Begin, claimed at a post-election rally yesterday that Likud's strong showing demonstrated to all the world that there is in Israel a "clear majority" against any proposals to "repartition" the country. Likud failed, however, to gain enough seats to enable it to form a government or to force the Alignment to take it into a national unity government.

Final election results are not expected for several days. Counting of the ballots cast by voters in the military, an estimated 15 percent of the electorate, is particularly slow but is in any case not expected to change significantly the overall results.

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EGYPT-ISRAEL

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CHINA

New Years Eve rallies reveal a massive reshuffle of politically powerful military region commanders. Chinese news agency reports indicate that the shifts involved commanders of seven of China's 11 military regions and the head of the army's General Political Department. No purges have resulted, but the transfers separate military leaders from provincial power bases secured during the Cultural Revolution.

It is not yet known whether the military region chiefs, all but one of whom headed their provincial party and government bodies, also exchanged the latter positions. If not, a majority of top provincial party and government jobs could revert to civilians for the first time in over seven years.

The shifts reflect the continuing power struggle in Peking. At least one of the provincial military region commanders, Politburo member Chen Hsi-lien, figured prominently in the politically motivated debates over education and other policies which were conducted in the media last summer. Chen has been moved from his Manchurian base to the Peking Military Region. He will thus be more directly accountable to his political opponents, but may also have the opportunity to play a greater role in the leadership councils in concert with his political allies.

Li Te-sheng, a party vice chairman and head of the army's General Political Department, has replaced Chen in Manchuria. On the surface, this switch represents a promotion for Chen and a demotion for Li, who had appeared to be a candidate for a top central military post.

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NOTE

Oil: The Nigerian Government has found buyers for its share of total Nigerian production--14.5 percent (320,000 barrels per day)--at $22.60 per barrel. Prospective purchasers earlier refused to buy oil at this price, but after the announcement of higher prices last week by the Gulf states, several US and Japanese oil companies expressed interest. Similar US-produced low sulfur oil, not regulated by the Cost of Living Council, has been selling at less than $9.00.

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